



Roland W. Burris

Comptroller
State of Illinois

March 28, 1979

201 State House
Springfield, Illinois 62706
217/782-6000

PAYROLL MEMORANDUM

TO: All State Agencies who are withholding Wisconsin income tax from employees who are Wisconsin residents

SUBJECT: Wisconsin income tax withholding

The attached notice was received by our office from the Wisconsin Department of Revenue. In essence it states that no Wisconsin income tax is to be withheld from Wisconsin residents for any payroll periods beginning after April 30, 1979, and before June 27, 1979. The employee, however, may continue to have monies withheld if he notifies you to continue such withholding.

Please make the proper distribution of the memorandum within your agency so, where applicable, Wisconsin income tax withholding will be discontinued for the payroll periods stated above. Read the attached notice from the Wisconsin Department of Revenue carefully and if you have any questions regarding this matter, please contact me at (217) 782-4758.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Daniel S. Steven".

Daniel S. Steven
Payroll Supervisor

DSS:rf

Attachment



State of Wisconsin \ DEPARTMENT OF REVENUE

INCOME, SALES, INHERITANCE AND EXCISE TAX DIVISION

OFFICES AT
4638 UNIVERSITY AVENUE
(608) 266-2776

March 15, 1979

IMPORTANT NOTICE

ADDRESS MAIL TO
COMPLIANCE BUREAU
POST OFFICE BOX 4902
MADISON, WISCONSIN 53708

To: All Employers

A new law was enacted in February, 1979 providing for a state income tax withholding moratorium. A copy of the new law (Chapter 1, Laws of 1979, section 74) is on page 2 of this notice.

WHAT PAYROLL PERIODS ARE AFFECTED BY THE WITHHOLDING MORATORIUM: The new law provides that employers shall not withhold Wisconsin income taxes from the wages of any employee for complete payroll periods beginning after April 30, 1979 and before June 27, 1979. However, an employee may request the employer to continue withholding during some or all of the payroll periods affected by the moratorium.

The number of payroll periods for which there is no withholding cannot exceed:

- a. 55 daily payroll periods
- b. 8 weekly payroll periods
- c. 4 bi-weekly or semi-monthly payroll periods
- d. 2 monthly payroll periods

Example 1: An employee has a monthly payroll period beginning on the first day of each month. The payroll periods for the months of May and June, 1979 are the two payroll periods which will not have any withholding of Wisconsin income tax because they begin after April 30, 1979 and before June 27, 1979.

Example 2: An employee has a bi-weekly payroll period beginning on Monday of every other week. The payroll period beginning on Monday, April 30, 1979 does not qualify for the moratorium because it does not begin after April 30, 1979. However, the payroll period beginning two weeks later on Monday, May 14 will not have any withholding. Likewise, the payroll periods beginning on May 28, June 11 and June 25 will also have no withholding. The payroll period beginning on July 9, 1979 will be subject to withholding because it begins after June 26, 1979. No more than four bi-weekly payroll periods qualify for no withholding.

FILING WITHHOLDING DEPOSIT REPORTS (FORM WT-6): Employers will continue to receive deposit reports as usual. If taxes are withheld on any wages paid during the reporting period covered by the Form WT-6, the withheld tax and completed deposit report must be filed with the department by the due date. However, if the moratorium results in no Wisconsin income tax being withheld from wages paid during the reporting period covered by the Form WT-6, such form should be discarded and not filed with the department.

Example: An employer having monthly payroll periods distributes the April payroll checks in early May, 1979, the May payroll checks in early June and June payroll checks in early July. The employer, whose reporting period for filing Forms WT-6 is monthly, must file such form for May showing the amount withheld from the April payroll checks given to employees in early May. Form WT-6 does not have to be filed for June, 1979 since no taxes were withheld on the May payroll checks given to employees in June. Form WT-6 also does not have to be filed for July since there was no withholding on the June payroll checks given to employees in July (This example assumes no employee requested a continuation of withholding during the moratorium).

Employers reporting taxes withheld on a three month (quarterly) basis, must file for each quarter, since some of the wages paid during the quarter will be subject to withholding.

ADDITIONAL INFORMATION: Enclosed with this notice is additional information about the withholding moratorium in question and answer format. This should answer many of your questions about the withholding moratorium. If you or your employees have additional questions, please write or call at the address or telephone number listed on the front page of this notice.

NEW WITHHOLDING TAX TABLES: During the latter part of May, 1979, all employers registered for Wisconsin withholding tax will be mailed a new "Employer's Withholding Tax Guide" containing new withholding tax tables for determining the amount to be withheld from employees wages. These new withholding tables will become effective for payroll periods beginning on or after June 27, 1979. The reduced income tax rates, widening of the income tax brackets, changes in the standard deduction and other changes in Chapter 1, Laws of 1979 will be reflected in the new withholding tables.

NEW LAW RELATING TO WITHHOLDING MORATORIUM: The new law (Chapter 1, Laws of 1979, section 74) which provides for the withholding moratorium reads as follows:

"SECTION 74. Refund of current surplus. (1) INCOME TAX WITHHOLDING MORATORIUM. (a) Notwithstanding sections 71.19 and 71.20 of the statutes and the tables prepared and promulgated thereunder, and except as provided in paragraph (b), no employer may withhold amounts of state income tax from the wages of any employee for complete payroll periods specified in paragraph (c), but not to exceed:

1. Fifty-five daily payroll periods.
2. Eight weekly payroll periods.
3. Four biweekly or semimonthly payroll periods.
4. Two monthly payroll periods.

(b) Notwithstanding paragraph (a), an employee may request that her or his employer withhold from the employee's wages under the applicable tables during the period specified in paragraph (c) or withhold additional amounts under Section 71.20(11) of the statutes.

(c) The withholding moratorium required under paragraph (a) applies to complete payroll periods beginning after April 30, 1979, and before June 27, 1979, or, if this act takes effect after May 1, 1979, it applies to complete payroll periods beginning after the first day of the 2nd month commencing after the effective date of this act and before the 27th day of the 3rd month commencing after the effective date of this act.

(2) 1979 SPECIAL INCOME TAX CREDIT. For calendar year 1979 or corresponding fiscal year, the net Wisconsin income tax liability of any natural person, prior to the application of any tax credit other than personal exemptions and credits under sections 71.09(6p) and 71.53 of the statutes, shall be reduced by 16% but not to exceed \$900. Married taxpayers shall separately determine this reduction."

When filing 1979 individual Wisconsin income tax returns in 1980, all taxpayers, including wage earners, will be able to reduce their 1979 taxes by the 16% Special Income Tax Credit mentioned above in paragraph (2).



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INCOME, SALES, INHERITANCE AND EXCISE TAX DIVISION

OFFICES AT
4638 UNIVERSITY AVENUE
(608) 264-2776

March 15, 1979

ADDRESS MAIL TO
COMPLIANCE BUREAU
POST OFFICE BOX 8962
MADISON, WISCONSIN 53708

QUESTIONS AND ANSWERS ABOUT THE WITHHOLDING MORATORIUM

1. Question: Are all employers, including those located outside of Wisconsin who have Wisconsin employees, receiving notice of the withholding moratorium?
Answer: Yes, each employer, regardless of location, is being sent a notice of the moratorium. The address to which such notice has been sent is the same address to which the withholding tax deposit report (Form WT-6) is sent.
2. Question: Must an employer solicit employees to determine if any employee wishes withholding to continue during the moratorium?
Answer: No, it is each employee's responsibility to request the employer to continue to withhold. If no request for withholding is made by the employee, the employer shall not withhold Wisconsin income taxes for payroll periods beginning after April 30, 1979 and before June 27, 1979.
3. Question: If an employee wishes withholding to continue, what form must be used in making the request to the employer?
Answer: Any type of notice acceptable to the employer is satisfactory. The Department of Revenue has not developed a special form for this purpose.
4. Question: If at some time prior to the moratorium an employee has requested an employer to withhold additional amounts as provided by section 71.20(11) of the statutes, must the employer continue to withhold such additional amounts during the moratorium?
Answer: The employer should discontinue withholding such additional amounts during the moratorium. Such special withholding should be resumed at the conclusion of the moratorium and should continue until the employee rescinds or modifies the original request.
5. Question: Is the withholding moratorium mandatory?
Answer: Yes, the moratorium is mandatory.
6. Question: How does the moratorium affect periods which overlap the beginning date of May 1, 1979 or the ending date of June 26, 1979?
Answer: To qualify for the moratorium, a payroll period cannot begin before May 1, 1979 nor after June 26, 1979.
For example, if a weekly payroll period begins on April 29, 1979 and ends on May 5, 1979, it does not qualify for the moratorium and wages for that payroll period are subject to withholding.
If a weekly payroll period begins on June 24, 1979 and ends on June 30, 1979, it qualifies for the moratorium.
7. Question: Does a payroll period have to end prior to June 27, 1979 in order to qualify for the moratorium?
Answer: As long as the payroll period begins prior to June 27, 1979 and does not exceed the number of payroll periods specified in the law, it is to be included in the moratorium.
8. Question: What is the status of bonus payments, severance pay, or similar payments made during the period of the moratorium?
Answer: Such payments made during the moratorium are not subject to state withholding. However, if such payments are large, employers are encouraged to inform the employee that he or she should determine the amount of tax that may be due for 1979 if there is no withholding on such payments. Based upon such determination, the employee could decide that there should be withholding or that a declaration of estimated tax should be filed.
9. Question: What is the status of salary advances?
Answer: Salary advances which directly relate to payroll periods within the moratorium are not subject to withholding. Salary advances which relate to payroll periods beginning after June 26, 1979 are subject to withholding, even if received during the moratorium.

10. Question: What is the status of sick pay for payroll periods during the moratorium?
Answer: Sick pay is not subject to withholding during the moratorium.
11. Question: Does the date that wages are paid determine if such wages are subject to the moratorium?
Answer: No, the timing of the payroll period and the number of such periods determine eligibility. For example, wages an employee received in May for a payroll period in April do not qualify. On the other hand, wages received in July for a payroll period in June (periods beginning before June 27, 1979) are subject to the moratorium.
12. Question: On June 5th a teacher receives payroll checks, one each for May, June, July and August, since he or she has selected to be paid on a 12 month basis with a lump-sum summer payment. How are these checks to be treated for state withholding tax purposes?
Answer: The checks or payments which relate to payroll periods beginning after April 30, 1979 and before June 27, 1979 are subject to the moratorium and state income taxes should not be withheld. All other checks or payments are subject to withholding.
13. Question: An employer has received an order from the Wisconsin Department of Revenue, as provided by section 71.135 of the statutes, to withhold additional amounts from an employee's wages for the purpose of satisfying a delinquent state tax amount. Is the employer required to withhold such amounts during the moratorium?
Answer: Yes, such order is not subject to the moratorium and withholding of such amounts must be continued.
14. Question: How will the moratorium affect the amount of income taxes an employee will owe in 1979?
Answer: When a person completes his or her 1979 Wisconsin income tax return, the taxes due will be reduced by a 16% Special Income Tax Credit. All taxpayers, including those who do not work for wages, will receive the benefit of the 16% credit. The withholding moratorium enables wage earners to receive the benefit of their 16% credit prior to filing a 1979 income tax return.
For example, assume an employee has \$100 of Wisconsin income tax withheld from each of his or her monthly checks. Because of the moratorium, there will be no withholding for the two monthly payroll periods for May and June. When the employee completes his or her 1979 Wisconsin income tax return, the taxes due will be reduced by the 16% Special Income Tax Credit. The withholding moratorium enables the employee to receive the benefit of this 16% credit on his or her payroll checks for May and June, 1979, rather than having to wait until filing the 1979 income tax return in 1980.
15. Question: How will taxpayers who are self-employed and must estimate and declare their 1979 tax liability benefit from the moratorium?
Answer: Since wages are not involved, the moratorium will not affect such taxpayers. However, this department, in a mailing to all declaration filers, will ask such taxpayers to recompute their 1979 tax estimate, taking into consideration the 16% tax credit and other law changes. If this recomputation results in a lower estimate of 1979 tax liability, such taxpayers will be asked to reduce their quarterly payments accordingly.
16. Question: The 16% Special Income Tax Credit which will reduce a person's taxes due on his or her 1979 income tax return, may not exceed \$900. How will this \$900 credit limitation affect the moratorium?
Answer: In most instances, the \$900 credit limitation will not be affected by the moratorium. The \$900 limitation will be reached by taxpayers when their annual net taxable income is \$62,950 or greater. Such taxpayers should take this limitation into consideration when evaluating the effects of the moratorium or in recomputing their estimated income tax declarations.